

**CITY OF LINCOLN
POLICE & FIRE PENSION ADVISORY COMMITTEE MEETING
3:00 P.M., THURSDAY, MAY 2, 2002
CONFERENCE ROOM 106**

Members present: Aaron Drake, Mark Westphalen, Joe Yindrick, Michael Donnelly

Members absent: Jim George, Mark Meyerson

Personnel Dept.

Resource Staff: Georgia Glass, John Cripe, Paul Lutomski

Others present: Mark Munger, Ed Sheridan, Greg Sorensen

Aaron Drake: Introduces new member Michael Donnelly to all present.

Ed Sheridan and Mark Munger: Request members be given meeting minutes earlier and notified of the meeting earlier.

Paul Lutomski: First item is to approve or edit November 2001 and February 2002 minutes.

Mark Westphalen: Motion to approve. (Motion passes.)

Paul Lutomski:

Page 1: Mayor Wesely sent letter of appreciation to Ross Hecht.

Pages 2 - 3: City Council appoints Michael Donnelly as their Police and Fire Pension Advisory Committee member. Mr. Donnelly was given a packet of information and will complete the term of Ross Hecht. Term expires October 2002. Mr. Donnelly is Vice President and manager of the Institutional Trust Department at Wells Fargo Lincoln with 25 years of experience.

Minutes of November 2, 2001 meeting, and February 8, 2002 meeting for vote to approve or amend.

Pension Analysis Estimate interest rate error fixed, tested and all estimates re-run at no cost to the pension. Information Services was billed for postage costs to re-mail the Pension Analysis Estimate.

Pages 4 – 7: Computer consulting firm hired to re-write/re-design Pension Analysis Estimate program: Consulting firms of Analysts International, Modis and Aquent were contacted for computer programming services. Four resumes reviewed. Two programmers were interviewed by Paul Lutomski and Mark Wieting. Paula Hustig-Nielsen was chosen and started March 4, 2002. \$60/ hour. Bi-weekly status reports forwarded to Union Presidents. Excellent progress achieved in simplifying the program design and eliminating redundant code. Completion target is May/June 2002.

Ed Sheridan and Mark Munger: Requests that Information Services pay for all or part of consulting costs.

Georgia Glass: We can discuss that with Finance Director Don Herz.

Mark Westphalen: Requests that the computer programmer document what she fixes to make the case

reimbursement with Don Herz.

Paul Lutomski:

We will have that documentation.

On hold per Mayor Wesely: Ordinances to change 2.66.100 and 2.65.130 to provide for a one-time increase to retiree and deferred annuitant monthly payments with \$675 target amount.

Mark Munger: Why?

Georgia Glass: This was put on hold because the money would be better spent on the true COLA and because the City Attorney said he believes it is illegal to do this. At Mr. Munger's request Georgia said she would provide Mark Munger and Ed Sheridan specifics on was it was illegal.

Paul Lutomski:

On hold per Mayor Wesely: Ordinances to changes 2.62.180, 2.65.180 and 2.66.180 to guarantee City contribution to the pension. Ordinance mandates a 5% City contribution in FY 2002-03 followed by a 1% annual increase thereafter until full City normal cost is reached – which is about 12% right now. On hold due to current budget shortfall situation. Below is a cost estimate given to Georgia to give to Mayor Wesely.

Fiscal Year	Valuation Payroll After DROP	City Contribution Percent	City Contribution Amount
2002-03	\$26,000,000	5%	\$1,300,000
2003-04	\$27,040,000	6%	\$1,622,400
2004-05	\$28,121,600	7%	\$1,968,512
2005-06	\$29,246,464	8%	\$2,339,717
2006-07	\$30,416,323	9%	\$2,737,469
2007-08	\$31,632,975	10%	\$3,163,298
2008-09	\$32,898,294	11%	\$3,618,812
2009-10	\$34,214,226	12%	\$4,105,707

Plan A enrollment (ended March 31, 2002)

59 members switched, 24 from the Police Department and 35 from the Fire Department.
\$498,506.03 collected in Switch costs.

DROP enrollment. (Vern Campbell exited DROP and was paid out in April)
40 members now in DROP.

DROP Payment	Month
\$1,871,719.78	Oct 01
\$ 401,626.95	Nov 01
\$ 225,312.01	Dec 01
\$ 457,789.76	Jan 02
\$ 91,099.17	Feb 02
\$ 97,552.79	Mar 02
\$ 99,493.37	Apr 02
\$3,244,593.83	

Sheridan, Personnel Director Georgia Glass, Compensation Manager John Cripe and Pension Officer Paul Lutomski met to discuss the union's pension benefit issues. On March 27th the union's benefit enhancements were combined with City market practices and on April 2, 2002, a letter detailing a new pension benefit structure was sent to Mr. Munger and Mr. Sheridan. Mr. Munger telephoned his acceptance to Mr. John Cripe on April 4, 2002 and Mr. Sheridan e-mailed his acceptance April 16, 2002.

On April 16, 2002 the New Benefit Structure cost estimate was emailed to the actuary for cost estimates. Cost and completion date is unknown at this time. (Later estimated as \$15,000 and July 6, 2002.)

Mark Munger: Wants the cost estimate as fast as possible – very important to membership. Attorney Fahey said it should take a week.

Paul Lutomski:

In a letter dated April 26, 2002 to Mark Munger and Ed Sheridan, Georgia Glass states Mayor Wesely's support of creating a Pension Board of Trustees. Later that day, in the Mayor's Special Task Force Meeting, Mark Bowen (Mayor's Chief of Staff) recommended the Task Force create a document detailing the composition, powers and operation of the board, and a plan for implementation.

Page 10: Transactions: Sold a zero coupon bond to provide cash for DROP and pension payment, and to continue weekly Calvert Bond Fund investment and re-attain 30% equity allocation. Exchanged from Vanguard "Growth Index Fund" and "Value Index Fund" into the Vanguard Total Stock Market Fund, and invested \$500,000 more to reach expense ratio breakpoint of \$10 million, so expenses decrease from 0.15% to 0.10%.

Pages 11 - 15: Balance Sheet, Equity and Debt asset returns as of March 31, 2002.

Investment Strategy

Invest \$100,000 weekly in Calvert Income Fund to attain an 8% Corporate Bond allocation, as a percent of total debt portfolio, by December 2002.

Upon finalization of City of Lincoln budgeted tax contribution, determine if cashflow requirements allow increased equity allocation.

New Business

Group:

Discussion about meeting minutes and meeting notification. In the future a written minutes summary will be mailed shortly after the meeting and the original tape of the minutes will be given to Mr. Sheridan, who will make a copy and distribute it to the Police and Fire unions and return the original to pension administration. For the past few years meetings have always been held at 3 pm on the first Thursday of February, May, August and November. Members encouraged to make calendar entries accordingly. Paul will send out notices two weeks in advance.

Aaron Drake: Invites new member Michael Donnelly to ask questions if necessary. Meeting adjourned.